Internal Revenue Service Criminal Investigation

Tax Fraud Alert

General Tax Fraud

www.irs.gov IRS Keyword: Fraud Fiscal Year 2004

Overview

Text Only .htm

The term voluntary compliance means that each of us is responsible for filing a tax return when required, and for determining and paying the correct amount of tax. Fortunately, the vast majority of Americans recognizes their legal responsibility, and properly report and pay over their tax obligations.

The efforts of Criminal Investigation (CI) are directed at the portion of American taxpayers who willfully and intentionally violate their known legal duty of voluntarily filing income tax returns and/or paying the correct amount of income, employment, or excise taxes. These individuals pose a serious threat to tax administration and the American economy.

The General Fraud Program is Criminal Investigation's largest enforcement program encompassing a wide variety of investigations involving tax and money laundering crimes. This program includes investigations involving a broad spectrum of individuals and industries from all facets of the economy, from small business owners to self-employed to large corporations. General Fraud cases constitute the main component of CI's efforts to most directly influence taxpayer compliance with the Internal Revenue Code.

General Fraud is the program from which CI identifies emerging areas of non-compliance in both Legal Source Tax Crimes and Illegal Source Financial Crimes. These emerging areas are instrumental in ensuring CI is focusing resources to most effectively achieve our mission.

Legal Source Tax Crimes involve legal industries and legal occupations, and more specifically, legally earned income, in which the primary motive or purpose is the violation of tax statutes (United States Code Title 26 and Title 18, Sections 286, 287, and 371K). The Legal Source Tax Crimes Program also includes cases that threaten the tax system, for example frivolous filers/non-filers, unscrupulous return preparers and the Questionable Refund Program.

The Illegal Source Financial Crimes Program recognizes that illegal source proceeds, which are a part of the untaxed underground economy, are a threat to the voluntary tax compliance system. Failure to investigate these cases would erode public confidence in the tax system. Within the guidelines of the Illegal Source Financial Crimes Program, CI commits resources to those investigations that involve proceeds derived from illegal sources other than narcotics. This program encompasses all tax and tax-related violations (Title 26 and Title 18, Sections 286, 287, and 371K), as well as money laundering (Title 18, Sections 1956, 1957, and 371M) and currency violations (Title 31). Linked to the investigation of the criminal charges within this program is also the emphasis for the effective utilization of the forfeiture statutes to deprive individuals and organizations of illegally obtained assets.

Types of Fraudulent Activities

Although not all inclusive, listed below are some of the criminal activities in violations of the tax law:

- Deliberately underreporting or omitting income,
- Overstating the amount of deductions
- Keeping two sets of books
- Making false entries in books and records
- Claiming personal expenses as business expenses

- Claiming false deductions
- Hiding or transferring assets or income

Related Statutes and Penalties

(These are not all inclusive -- See the U.S. Code, Office of Law Revision Counsel)

Title and Section	**Definition**
Title 26 USC § 7201 Attempt to evade or defeat tax	Any person who willfully attempts to evade or defeat any tax imposed by this title or the payment thereof shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof: • Shall be imprisoned not more than 5 years • Or fined not more than $250,000 for individuals ($500,000 for corporations) • Or both, together with the costs of prosecution
Title 26 USC § 7202 Willful failure to collect or pay over tax	Any person required under this title to collect, account for, and pay over any tax imposed by this title who willfully fails to collect or truthfully account for and pay over such tax shall, in addition to penalties provide by the law, be guilty of a felony • Shall be imprisoned not more than 5 years • Or fined not more than $250,000 for individuals ($500,000 for corporations) • Or both , together with the costs of prosecution
Title 26 USC § 7203 Willful failure to file return, supply information, or pay tax	Any person required under this title to pay any estimated tax or tax, or required by this title or by regulations made under authority thereof to make a return, keep any records, or supply any information, who willfully fails to pay such estimated tax or tax, make such return, keep such records, or supply such information, at the time or times required by law or regulations, shall, in addition to other penalties provided by law, be guilty of a misdemeanor and, upon conviction thereof: • Shall be imprisoned not more than 1 years • Or fined not more than $100,000 for individuals ($200,000 for corporations) • Or both, together with cost of prosecution

Title 26 USC § 7206(1) Fraud and false statements	Any Person who… (1) Declaration under penalties of perjury - Willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter; shall be guilty of a felony and, upon conviction thereof; • Shall be imprisoned not more than 3 years • Or fined not more than $250,000 for individuals ($500,000 for corporations) • Or both, together with cost of prosecution
Title 26 USC § 7206(2) Fraud and false statements	Any person who…(2) Aid or assistance - Willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under, the Internal Revenue laws, of a return, affidavit, claim, or other document, which is fraudulent or is false as to any material matter, whether or not such falsity or fraud is with the knowledge or consent of the person authorized or required to present such return, affidavit, claim, or document; shall be guilty of a felony and, upon conviction thereof: • Shall be imprisoned not more than 3 years • Or fined not more than $250,000 for individuals ($500,000 for corporations) • Or both, together with cost of prosecution
Title 26 USC § 7212(A) Attempts to interfere with administration of Internal Revenue laws	Whoever corruptly or by force endeavors to intimidate or impede any officer or employee of the United States acting in an official capacity under this title, or in any other way corruptly or by force obstructs or impedes, or endeavors to obstruct or impede, the due administration of this title, upon conviction: • Shall be imprisoned not more than 3 years • Or fined not more than $250,000 for individuals ($500,000 for corporations) • Or both
Title 18 USC § 371 Conspiracy to commit offense or to defraud the United States	If two or more persons conspire either to commit any offense against the United States, or to defraud the United States, or any agency thereof in any manner or for any purpose, and one or more of such persons do any act to effect the object of the conspiracy, each: • Shall be imprisoned not more than 5 years • Or fined not more than $250,000 for individuals ($500,000 for corporations) • Or both

Statistical Data

How to Interpret Criminal Investigation Data

Since actions on a specific investigation may cross fiscal years, the data shown in cases initiated may not always represent the same universe of cases shown in other actions within the same fiscal year.

	FY 2004	FY 2003	FY 2002
Investigations Initiated	1736	1814	1810
Prosecution Recommendations	1197	974	837
Indictments/Informations	941	770	758
Sentenced	657	672	809
Incarceration Rate*	83.6%	79.8%	75.4%
Average Months to Serve	27	28	24

*Incarceration may include prison time, home confinement, electronic monitoring, or a combination thereof.

Examples of General Tax Fraud Investigations

The following examples of general fraud investigations are excerpts from public record documents on file in the courts in the judicial district in which the cases were prosecuted.

Columbia Woman Sentenced for Embezzling $583,173

On September 27, 2004, in Nashville, TN, Julie Ellen Bauer was sentenced to 51 months in prison, followed by five years supervised release and ordered to pay $391,926 in restitution. On March 9, 2004, Bauer pled guilty to one count of money laundering and two counts of bank fraud. Between October 9, 1998 and April 12, 2000, Bauer embezzled approximately $583,173 from bank accounts belonging to Saturn Corporation and EDS and transferred the funds to bank accounts she fraudulently opened and controlled under false pretenses and representations. During the period December 17, 1998 and June 23, 2000, Bauer conducted several monetary transactions, in excess of $10,000, with embezzled funds which affected interstate commerce. These transactions included purchasing a home for $324,776.34, lavish furniture for the home and two Chevrolet Suburbans.

New York Clothing Manufacturer Sentenced to Prison for Tax Fraud

On September 23, 2004, in Brooklyn, NY, Louis Estevez was sentenced to one year and one day in prison, followed by one year supervised release after pleading guilty to filing a fraudulent corporate tax return for the 1996 fiscal year. Estevez filed a fraudulent corporate income tax return on behalf of Jasmine Fashions, Inc. which he owned and operated. The tax loss to the government was determined to be at least $325,000.

Former North Andover Selectman Sentenced for Tax Evasion

On September 20, 2004, in Boston, MA, John Leeman was sentenced to15 months in prison, ordered to pay restitution to the Internal Revenue Service in the amount of $352,624 and restitution to Charles Construction Company, Inc. and M.C. Andrews Company, Inc. in the amount of $635,000. Leeman pleaded guilty on July 20, 2004 to a three-count Superseding Information charging him with federal

Company, Inc., embezzled funds from those companies by issuing checks on behalf of the companies to third parties and forging the authorizing signatures on those checks. Leeman then cashed the checks that he issued on behalf of the companies by forging the signatures of the third party payees and presenting the checks to the bank without the knowledge and consent of the payees. Leeman used the proceeds from the cashed checks for his personal benefit. Leeman embezzled more than $835,000 from tax years 1997 through 1999 and paid no federal taxes on the money. Based on the amount of embezzled funds, the Government contended that Leeman owed $352,624 in federal taxes.

Two Officers of Benton Manufacturing Sentenced for Tax Fraud

On September 17, 2004, in Knoxville, TN, Charles Stone was sentenced to 18 months in prison, followed by three years supervised release, and fined $10,000. Dora Stone, Charles Stone's wife, was sentenced to 27 months in prison, followed by three years supervised release, and fined $10,000. The court also ordered the Stones to make restitution to the IRS in the amount of $264,575. The Stones were convicted on March 26, 2004 by a trial jury of conspiring to defraud the IRS and tax evasion. According to the indictment the Stone's used the corporate bank and credit card accounts to obtain cash and to pay personal expenses for themselves. Evidence at trial established that the defendants prepared false books and records which caused the company's return preparer to treat the personal expenditures as legitimate business expenses. The Stones then filed fraudulent personal income tax returns which did not report those amounts as income. The total corporate and personal loss resulting from the Stones' scheme was between $200,000 and $325,000.

John Kenneth Coil Sentenced to Federal prison in Multi-Million Dollar Racketeering, Obscenity, Fraud, and Tax Evasion Scheme

On September 17, 2004, in Austin, TX, John Kenneth Coil was sentenced to 63 months in prison, followed by three years supervised release, fined $5,000, and ordered to forfeit an estimated $8.1 million in property to the government after pleading guilty to federal charges in connection with a racketeering, obscenity, fraud, and tax evasion scheme. Coil admitted to using front companies to run his "adult" pornography stores as well as putting some properties into the names of some of his children and in "trusts" for his children without their knowledge. Coil also skimmed monies from the stores and failed to file tax returns or disclose such income for tax purposes on returns he did file. The total loss as a result of his scheme exceeded $4.5 million for the tax years 1981-2003. Seven other co-defendants have also been sentenced on tax related charges receiving sentencing ranging from three years probation to 42 months in prison.

Maximum Prison Term for Fraud

On September 14, 2004, in Sacramento, CA, Sharon Macauley was sentenced to 30 months in prison and ordered to pay restitution of $1,040,768 to victims of her fraud scheme. Macauley pleaded guilty to one count of money laundering and one count of mail fraud on January 27, 2004, for falsely telling potential investors that she would use their funds to purchase expensive horses for which buyers had already been found. Almost none of the money Mccauley received from investors was actually used for this purpose, and most of the money any investor did receive in return for their investment, came from monies from new investors.

Business Man Sentenced to 37 Months Money Laundering and Bank Fraud

On September 10, 2004, in Oklahoma City, OK, William Dean Brenner was sentenced to 37 months in prison followed by three years of supervised release. Additionally, Brenner was ordered to pay $806,851.51 in restitution to the victim and forfeit real estate and $45,099 in cash to the government. On July 23, 2003, a federal grand jury issued a 23-count bank fraud and money laundering indictment against Brenner for diverting company funds from an Oklahoma City computer networking business into a personal account. On November 13, 2003, Brenner pleaded guilty to one count of bank fraud and one count of money laundering. At that plea hearing, Brenner admitted that he used his authority as chief financial officer to divert over $800,000 in the form of checks payable to his company from his company's customers and other entities into an unauthorized account that he controlled and that bore his company's name.

Defendant Failed to Report Over $500,000 in Income

On September 10, 2004, in San Diego, CA, Chiu Chi Chiang was sentenced to one year and one day in prison for filing a false individual tax return. At the time of his guilty plea, Chiang admitted that for the tax years 1997 through 2000, he intentionally omitted a total of $517,217 in business income. In addition to jail time, Chiang must pay all back taxes, as well as penalties and interest.

North Carolina Man Sentenced in Real Estate Scheme

On September 2, 2004, in Greensboro, NC, George Monk was sentenced to 87 months in prison, followed by three years supervised release, fined $200, and ordered to pay $224,368 in restitution after pleading guilty to numerous tax and fraud charges. Monk and others devised a scheme to utilize various mortgage brokers to submit materially false information to mortgage lenders to obtain mortgage loans. Monk recruited individuals to act as purchasers or "straw-buyers," he then deceived them into believing that following the purchase of the real estate in their names, that he would pay all monthly mortgage payments and promptly transfer the parcels of real property out of the straw-buyers' name. Monk failed to pay the monthly mortgage payments allowing the property to go into default and causing the sale of the property at foreclosure.

Oklahoman Sentenced to Over Nine Years for Violations of Tax Evasion, Bank Fraud, and Securities Fraud

On September 1, 2004, in Tulsa, Oklahoma, Eddy L. Patterson was sentenced to 110 months in federal prison, and ordered to pay a money judgment of $3,476,936 for his conviction of 27 counts involving conspiracy, filing false tax returns, tax evasion, bank fraud, and securities fraud. The criminal conviction of bank fraud and securities fraud are in connection with Patterson's position as co-founder and chief executive officer (CEO) of National Environmental Service Company (NESCO) of Tulsa, Oklahoma. Patterson's tax fraud convictions include a variety of criminal acts involving the filing of false statements in income tax returns for the years 1993 and 1995, and failing to file personal federal income tax returns and failing to pay personal federal income tax returns for the years 1996 to 2000. During the course of the conspiracy, Eddy and Judith Patterson sent letters to the IRS renouncing their citizenship of the United States and claiming the IRS did not have jurisdiction over them.

False Promises of Quick Returns Leads to Prison

On August 30, 2004, in Fresno, CA, Timmie Bruce Taylor was sentenced to serve 87 months in prison and ordered to pay $337,682 in restitution to victims of his fraud. Taylor pled guilty in May 2004, to multiple counts of evasion of payment and mail fraud stemming from his promises of quick returns to his investors in a bogus auction program after he sold them memberships ranging from $950 to $1,800. The fraud involved various enterprises under numerous names including American International Auction Network, Auction Training Center and Uncle Sam's Yard Sale, and Taylor's use of aliases including Ben Taylor and Tim Smith. Taylor admitted that he would tell participants they would be able to go to auctions in their area and purchase items at certain costs, and then he would sell the items at double that amount and split the profits with them. He also offered customer service representatives or "coaches" to the participants who would help them find auctions and items to bid on. Participants usually never heard from the defendant and typically never received anything from Taylor, his business or the "coaches." Despite filing returns for a five year period, and being aware of substantial amounts due the IRS, Taylor took affirmative steps to conceal his income from the IRS to evade payment of the tax due and owing.

Rainbow City Man Sentenced on Federal Fraud Charges

On August 24, 2004, in Birmingham, AL, Thomas E. Pike was sentenced to 30 months in prison, followed by five years supervised release, and ordered to make restitution to his former employer, Anesthesia Associates in the amount of $1,375,000. Pike was convicted on June 4, 2004 of five counts of tax evasion, one count of executing a scheme to defraud a federally insured bank, and one count of embezzling money from the pension plan of his employer. Pike was sentenced on tax evasion for the calendar years 1997 through 2001. The taxable income total for those four years was approximately $900,000. Pike also conducted a bank fraud scheme by means of false statements and representations in connection with loan applications to Regions Bank. The total amount of loans based upon these false representations was approximately $500,000. Pike also embezzled and converted to his own use money from the pension plan of his employer, Anesthesia Associates.

Tax Evasion Defendant Sentenced to 15-Month Prison Term

On August 20, 2004 in Miami, FL, Laurie Gregoriou was sentenced to 15 months in prison, followed by two years' supervised release and ordered to pay $421,514 in restitution to the IRS after pleading guilty to conspiring against the IRS. Co-defendant, John Gregoriou, her husband, is awaiting sentencing, having also pled guilty to conspiring against the IRS and tax evasion. Gregoriou Publishing, Inc. ("GPI"), a company that published magazines listing foreclosures, failed to pay over to the IRS more than $200,000 in taxes withheld from its employees. The tax amount was based on approximately $1.1 million in income from approximately 100 employees between April, 1992, and December, 1993. When a company fails to pay over withholding taxes, the person responsible for making the payments is subject to a "Trust Fund Recovery Penalty" equal to the amount of the withheld taxes, plus interest. John Gregoriou, the sole shareholder and President of GPI, was the person who signed off on the company's quarterly tax returns and deemed by the IRS as subject to the "Trust Fund Recovery Penalty." As of the date of the Indictment, the total owed by John Gregoriou on this debt was approximately $420,000. The defendants conspired to evade payment of this debt by, among other things, placing John Gregoriou's assets, income, and businesses in nominee names, including Laurie Gregoriou's name and the names of both of their parents.

Florida Man Sentenced for Concealing $660,000 in Income from Bankruptcy Court

On August 20, 2004, in Denver, CO, Richard Shelby Palmer was sentenced to 24 months in prison for concealing assets in connection with bankruptcy and for money laundering. Palmer agreed to the criminal forfeiture of $49,200, of which $39,197 will be used to pay restitution to creditors. Palmer was also ordered to pay a fine of $6,000. Palmer was one of the founders of a company known as Native American Sales, Native American Company or Companies, and then Native American Systems, Inc. whose primary business involved the sale of computer equipment to the United States Government. On July 25, 1995 Palmer filed a Chapter 13 bankruptcy petition. As part of the defendant's criminal scheme, he directed the accounting department of Native American Systems, Inc. to pay the vast majority of his sales commissions to one of three companies run by him instead of to him directly. Palmer used the commission money deposited into these businesses' accounts for his own benefit, and failed to disclose the vast majority of the money to the bankruptcy court. Palmer concealed over $660,000 in income from the bankruptcy court. According to the plea agreement Palmer concealed some of the money by purchasing a 1997 Chevy Tahoe and a 1993 Mercedes Benz in the name of one of his corporations. He also used $44,988 from another corporation's bank account to make a down payment on a residence, which he titled in the name of his father.

Individual Sentenced in Connection with Scheme to Defraud Investors

On August 11, 2004, in Savannah, GA, Mark Bowlin was sentenced to 32 months in prison, followed by three years supervised release, and ordered to make full restitution to victims in the amount of $2,720,421. Bowlin had previously entered a guilty plea to conspiracy to commit mail and wire fraud and money laundering. Between January 1998 and February 2000 Bowlin and others devised a scheme to obtain investors in Universal Interiors, a corporation through which Bowlin conducted a drywall installation business. Potential investors were told by Bowlin and others that they would receive up to a 40% return on investments over short periods of time. To persuade potential investors to invest in Universal Interiors, Bowlin and others made false representations concerning Universal Interiors, including falsely representing that Universal Interiors had millions of dollars worth of projects on hold until it obtained additional startup capital from investors and falsely stating that investments in Universal Interiors were used strictly to purchase materials and to pay labor with regard to a new project. In fact, the investors own funds were used to pay interest payments back to the investors to create an illusion of profitability. Investor funds were also used for Bowlin's and others' own use and enjoyment, including the purchase of homes, a boat, cars and other expenses.

PinnFund Figure Gets Prison Term, Told to Repay Investors

On August 2, 2004, in San Diego, CA, two defendants associated with the $300 million PinnFund U.S.A. ponzi scheme were sentenced for their participation. Tommy Larsen, former president of PinnLease, Inc., a PinnFund subsidiary, was sentenced to serve 78 months in prison followed by three years supervised release and ordered to pay $6,689,908 in restitution. Larsen's sentenced followed his guilty plea to mail fraud, wire fraud, money laundering, obstruction of justice, and tax evasion. Also sentenced was Kim A. Larsen, the son of defendant Tommy Larsen. Kim Larsen was sentenced to 21 months in prison, followed by two years supervised release and fined $5,000 for his role in the fraudulent equipment lease scheme. Kim Larsen's sentencing was based on his guilty plea to one count of making a false statement to a federal officer.

Contractor Sentenced in Tax Evasion Case

On July 27, 2004, in San Francisco, CA, Daren M. Lasky was sentenced to two years in prison after pleading guilty to tax evasion on April 6, 2004. Lasky, an independent flooring contractor, admitted he intentionally did not file tax returns reporting the income or pay taxes on the income to the IRS for the tax years 1998 – 2001. Additionally, Lasky admitted to concealing his income from the IRS by arranging for his compensation from the services provided to general contractors to be falsely reported by them to the IRS on Form 1099-Misc paid, not to him, but to non-existent corporations with Employer Identification Numbers which were assigned to others by the IRS. In order to conceal his income and assets from the IRS he used bank accounts opened in other names instead of using his own name or his SSN, so the bank would not report his activities to the IRS. Under the plea agreement Lasky admitted that he had in excess of $480,000 in income and was aware that he had a legal obligation to file tax returns for those years and pay taxes for each of those years.

Accountant Sentenced to 42 Months in Prison

On July 26, 2004, in Detroit, MI, Peter W. Tietenberg was sentenced to 42 months imprisonment, followed by three years supervised release and restitution of over $761,000 paid to his clients. According to court records, from 1998 through 2001, Tietenberg, an accountant, operated Business Financial Consultants, which provided accounting and tax services. During this time period, Tietenberg's clients would submit information so that employee withholdings, social security, and medicare taxes could be calculated. After determining the amount of taxes due Tietenberg would transmit payroll register forms via facsimile, indicating the clients' taxes due and owing. Tietenberg directed his clients to write checks, payable to Business Financial Consultants, so that he could make payment to the Internal Revenue Service on their behalf. Instead of making the required payments to the IRS, Tietenberg converted the funds to his own use, which totaled over $761,000. From 1998 through 2001, Tietenberg also failed to file his own personal tax returns, which included the failure to report over $390,000 in gross income on his 2000 federal tax return.

151 Month Sentence Received

On July 20, 2004 in Akron, Ohio, Gary Harris was sentenced to 151 months' imprisonment, to be followed by 3 years' supervised release, and a $95,000 fine. At trial, the evidence proved the defendants used a maze of trusts and corporations to try to hide approximately $18 million in income generated by various businesses they controlled, including historic Conneaut Lake Park in Crawford County, Pennsylvania.

Between January 1, 1994, and July 8, 2003, they paid little or no taxes on the income earned. Nonetheless. Mr. Harris lived lavishly, acquired several homes, a jet way for his ranch in Conneaut, and an antique Mercedes sports car which he claimed was worth $250,000.

Mr. Harris has been in federal custody since his arrest in July 2003. He was convicted of tax evasion for tax years 1987, 1989, and 1990. In addition, between 1998 and 2002, when Mr. Harris was in federal prison after convictions for racketeering and income tax evasion, Mr. Kotula and Ms. Schwentker Harris kept Mr. Harris' businesses running and continued to operate this illegal conspiracy.

Defendant Sentenced to 60 Months in Prison

On July 12, 2004, in Denver, CO, Golda Torres-Harvey was sentenced to 60 months in prison and ordered to pay $580,437 restitution to victims of her scheme. According to the indictment, Torres-Harvey devised a scheme to defraud citizens from Mexico who were residing in Colorado, by inducing them through false representation to pay her for assisting them in preparing and submitting applications to the Immigration and Naturalization Service. She charged Mexican immigrants a fee ranging from $1,500 to $2,500 to assist them in filling out INS applications. Also, she instructed the immigrants to obtain money orders payable to "INS" to cover her fees. Torres-Harvey purposefully delayed the filing of applications and mailed the applications without the required fee of $70 or $1,000; she kept the application assistance fees for herself. She opened a bank account in the name of "International Network Service" and had approximately 61 money orders payable to "INS" deposited into that account. Torres-Harvey then closed her business and did nothing to assist her remaining clients and the INS rejected the applications that were mailed with no accompanying fee.

Tulsa Man Sentenced to 24 Months for Tax Fraud

On July 6, 2004, in Tulsa, OK Stephen Mark Buford was sentenced to 24 months in federal prison, followed by one year of supervised release. Additionally, Buford was ordered to pay a $3,000 fine. Buford pled guilty to one count of Making and Subscribing to False Income Tax Returns, and one count of Aiding and Assisting in the Preparation of False and Fraudulent Income Tax Returns. According to the plea agreement, Buford was employed as an office manager at a business known as All Kinds of Trucks (AKT) in Tulsa, Oklahoma. Buford was responsible for preparing his personal Forms W-2 and 1099, and for preparing those of his son, Zachary Buford. Buford admitted preparing Forms W 2 showing some, but not all of the income he received from AKT during the 1999, 2000, and 2001 tax years. He did not report income he received from AKT totaling $115,318; $13,318 during 1999, $39,600 during 2000, and $62,400 during 2001. Additionally, Buford admitted preparing income tax returns for his son, Zachary Buford, for the 2000, 2001, and 2002 tax years. Buford admitted knowingly and willfully omitting income that his son received from AKT from his son's income tax returns totaling $20,296; $2,790 during 2000, $13,760 during 2001, and $3,467 during 2002. It was revealed in the plea agreement and at sentencing that Buford has been prior Federal convictions for tax violations associated with the preparation of false Federal Income Tax Returns. It was further revealed at sentencing that Buford has paid the Internal Revenue Service $105,000 to be applied toward the tax loss, penalties and interest related to tax crimes for which he was being sentenced.

Znetix Defendant Sentenced to Four Years in Prison

On July 6, 2004, in Seattle, WA, Kevin McCarthy was sentenced to four years in prison, to be followed by three years of supervised release with restrictive financial and employment conditions. McCarthy pleaded guilty in July, 2002, to Conspiracy and Mail Fraud and was a key prosecution witness against other Znetix defendants, which resulted in the convictions of those three defendants. As part of his guilty pleas and sentencing, McCarthy also forfeited a residence he had purchased in Bothell, Washington, a home in Arizona, a $5,000 home entertainment center, and the proceeds of bank accounts in Nevis and Nevada.

McCarthy began his employment with Health Maintenance Centers, Inc. (HMC), an affiliate of Znetix, in September, 2000. On April 9, 2001, the State of Washington Department of Financial Institutions, Securities Division, issued a Cease and Desist Order against HMC and Kevin L. Lawrence prohibiting further stock sales. About three weeks after the Cease and Desist Order, Lawrence and McCarthy formed Cascade Pointe LLC, which was touted as an independent venture capital firm but was secretly controlled by Lawrence and McCarthy in violation of the State's order. At Lawrence's direction, McCarthy created a number of shell companies and bank accounts in the Caribbean island nation of Nevis for himself and other co-defendants. McCarthy used these Nevis companies to funnel money offshore and, by submitting fraudulent stock subscription agreements and financial statements from the Nevis companies, to make it appear that Cascade Pointe had wealthy backers and substantial lines of credit. Cascade Pointe fraudulently raised over $12 million from investors after the State's order.

The charges against McCarthy arose out of the government's investigation of the offer and sale of over $90 million of securities by Znetix, HMC, Cascade Pointe, and other affiliated entities. The conspiracy's ringleader was Lawrence, who entered guilty pleas in July, 2003, to Securities Fraud, Wire Fraud, and Conspiracy, and is currently serving a 20-year prison term. Over the course of about seven years, Lawrence and his co-defendants, including Beaman, Culp, Kuiken, and five additional defendants who previously entered guilty pleas – Donavon Claflin, Clifford Baird, Steven Reimer, James Wuensche, and Alfonso D. Lacson, Jr. – defrauded thousands of investors out of approximately $91 million through a massive conspiracy involving false representations and failures to disclose truthful and accurate information in connection with the sale of the securities. Two additional defendants, Timothy Moody and Alex Lacson, pleaded guilty to related felony charges.

Ava Man Sentenced for Obstructing the IRS

On July 1, 2004, in Springfield, MO, Roy Eugene Waters was sentenced to eight years and one month in federal prison without parole. The court also ordered Waters to pay a $15,000 fine and to cooperate with the IRS in the payment of all tax liabilities owed. Waters was convicted of obstructing the Internal Revenue Service in the collection of federal taxes owed to the government and for structuring currency transactions. Beginning in 1995, Waters, who did business as Ava Greenhouses, conducted significant greenhouse business with cash and cashier's checks. Waters was found guilty of using threats of force to obstruct the administration of the internal revenue laws of the United States, including the determination, assessment and collection of Waters' federal income tax liabilities for 1991, 1992 and 1993. Waters threatened to defend his property with guns against seizure by the IRS, and threatened to commit suicide. In an effort to intimidate and interfere with the IRS collection process, Waters also filed a series of frivolous lawsuits against the IRS. He placed notices in local newspapers threatening to sue anyone who bid on property seized by the IRS, claiming that intruders may be prosecuted, or the sale was unlawful. Waters was also found guilty of eight separate counts of structuring currency transactions at several local financial institutions for the purpose of evading the federal reporting requirement. Graves explained that federal law requires financial institutions to report any currency transactions in excess of $10,000. Waters conducted 35 financial transactions from June 23, 1998, through Oct. 11, 2000, for the purpose of evading the federal reporting requirement.

Former Lubbock Antiques Dealer Sentenced to More Than 8 Years in Federal Prison

On June 25, 2004, in Lubbock, TX, Barry Keith Holbert was sentenced to 97 months imprisonment and ordered to pay $2,200,356.65 in restitution to the victims of his crime. Holbert pled guilty in March 2004 to a two-count Information that charged him with one count of wire fraud and one count of money laundering. At the time of his plea, Holbert acknowledged that the loss involved in this case was between $1 million and $2.5 million and that there are between 10 and 50 victims of his fraud. Holbert is the owner of A Part of History Antiques, Inc. and according to documents filed in court created counterfeit bills of sale and fraudulent provenance (history of an artwork's ownership) to misled investors in believing that they were investing money in authentic paintings. In 1999, Holbert received approximately $605,000 from several investors who invested in a Sham Van Gogh. Holbert also received from investors tens of thousands of dollars to invest in the ownership of paintings which Holbert subsequently sold at a much higher price, without that investor's knowledge, authorization or consent, and did not provide the investor with any of the proceeds from that sale.

Chicago Businessman Convicted on All Counts in Insurance Fraud Trial

On June 22, 2004, in Chicago, IL, Michael "Mickey" Segal, owner of Near North Insurance Brokerage, was convicted on all 26 counts against him. The conviction came after only 8 hours of deliberation following a six week trial. Segal was convicted of 13 counts of mail fraud, one of wire fraud, seven of making false statements, three of embezzlement, one of tax conspiracy and one of racketeering. Segal was found guilty of looting $35 million from a Near North Insurance restricted account where customer premiums were supposed to be held for safekeeping. The business was also convicted of 11 counts of mail fraud, seven of making false statements and three of embezzlement. Segal was ordered to forfeit $30 million dollars and 60% of his business, Near North Insurance Brokerage. The Judge remanded Segal to prison immediately following the forfeiture hearing stating that he was a flight risk. No Sentencing date has been set.

Computer Manager Sentenced for Healthcare and Tax Fraud

On June 18, 2004, in Birmingham, AL, Timothy V. Buckner was sentenced to 37 months in jail to be followed by three years supervised release. He was also ordered to pay $273,342.72 in restitution to Eastern Health. Buckner was sentenced on charges of healthcare fraud and income tax evasion involving his position as Director of Technology at Eastern Health System, Inc. Buckner managed the computer systems at Eastern Health System, Inc. He set up the nominee business name, Network Services, Inc., Division of Network Partners, Inc., an unincorporated entity which allegedly provided computer services to Eastern Health. Buckner created and submitted bogus claims in the name of Network Services, Inc. for purported computer goods and services, representing them to be legitimate for the purpose of causing Eastern Health System, Inc. to issue checks in payment of the alleged goods and services. Buckner received the checks from Eastern Health System, Inc. totaling over $273,000, deposited the checks into the Network Services bank account, and spent the proceeds. He did not report the proceeds as income on his 1999, 2000, and 2001 federal tax returns.

Former Franklin Businessman Sentenced for Tax Offenses, Reports U.S. Attorney

On June 14, 2004, in Boston, MA, Michael Schlevenick was sentenced to 15 months in prison, to be followed by 2 years of supervised release. Schlevenick pleaded guilty on March 10, 2004 to a fourteen-count Indictment charging him with failure to account for, and pay, withholding taxes, and failure to file individual returns. Schlevenick, a former Franklin business owner failed to account for and pay over to the Internal Revenue Service more than $175,000 in federal income, social security and Medicare taxes that he withheld from the paychecks of his employees during the years 1997 to 1999. He was also sentenced for having failed to file individual income tax returns despite earning more than $500,000 in gross income over the same time period.

Former IRS Employee Sentenced on Fraud and Tax Evasion Charges

On June 3, 2004, in Minneapolis, MN, Sandra Jean Valencia was sentenced to 33 months in prison, followed by three years supervised release and ordered to pay $605,203 in restitution. Valencia pleaded guilty to mail fraud, wire fraud and tax evasion. Appointed by her grandmother to take care of her financial affairs, Valencia admitted in court that she used her positions under the power of attorney and as trustee from 1997 through 2000 to transfer the vast majority of her grandmother’s assets to herself. Valencia depleted her grandmother’s stock holdings, sold 76 acres of her farmland and her household belongings, and emptied her bank accounts. Valencia also deposited approximately $41,000 of her grandmother’s life insurance proceeds into her own bank account. Valencia admitted to evading income taxes for calendar years 1997 through 2000.

Three Employees who Defrauded Pitney Bowes Sentenced to Federal Prison

On May 28, 2004, in New Haven, CT, Raymond J. Wisnieski, Otto Guhl, Jr., and Robert J. Wilson, were sentenced after previously pleading guilty to a two-count Information charging involvement in a scheme to mail fraud and with filing a false U.S. personal income tax return. Wisnieski was sentenced to 37 months three were also sentenced to three years of supervised release and a fine of $5,000. Wisnieski, an Assistant Controller of the Accounting, Tax and Disbursement Services Department of Mailing Systems Finance, a division of Pitney Bowes, arranged for false entries to be made to the accounting records at Pitney Bowes to the benefit of himself, Guhl and Wilson. Guhl and Wilson worked under Wisnieski in the same department. The false entries suggested that Pitney Bowes had withheld from the defendants' income significantly more federal and state income taxes than, in fact, had been withheld. As part of the scheme, the defendants would tell Pitney Bowes that the withholding amounts were mistakenly overstated and have Pitney Bowes refund to them a portion of the monies that the company's accounting system suggested had been withheld.

Because the defendants would not typically seek payment from Pitney Bowes for the entire overstated withholding amount, Pitney Bowes would still forward to the IRS, at the required time, the taxes that allegedly had been withheld from each defendant's salary. Thereafter, the defendants would file their yearly federal personal income tax returns. Because the withholding payments made by Pitney Bowes to the IRS far exceeded the taxes due on the defendants' actual salary, the defendants would each year receive a substantial refund. During the scheme, the tax returns filed by the defendants were materially false because they did not include as income the money the defendants had stolen from Pitney Bowes as a result of their scheme.

During the scheme, Wisnieski unlawfully obtained $492,972 from Pitney Bowes and failed to pay $112,287 in federal income taxes. Guhl unlawfully obtained $351,496 from Pitney Bowes and failed to pay $78,703 in federal income taxes. Wilson unlawfully obtained $177,200 from Pitney Bowes and failed to pay $37,036 in federal income taxes.

Sister and Brother Convicted in International Money Laundering Criminal Enterprise Case

On May 28, 2004, in Seattle, WA, Nghiem Nu-Doan Truong and her brother, Tung Quoc Truong, were convicted of conspiracy to engage in money laundering and immediately sentenced to 4 years imprisonment and 3 years imprisonment, respectively. After their imprisonment, both defendants were sentenced to serve 3 years of supervised release. Also, a preliminary order of forfeiture was entered into court authorizing the criminal forfeiture of over $1 million in cash and real property seized from Nghiem Nu-Doan Truong and My-A, Inc. According to court documents, the Truongs operated a lucrative money transfer business under the name of My-A, Inc. which opened it doors in mid-2001 to the Vietnamese community in Seattle. My-A, Inc. expanded to include over twenty branch offices and sub-agents in at least 13 other states. During 2002 and 2003, the Truongs transferred over $11 million of funds derived from marijuana trafficking by using various bank accounts to conceal and disguise the nature, location, source, ownership, and the control of the funds.

Maryland Owners of Computech, Inc. Sentenced for Tax Evasion and Possession of Stolen Property

On May 27, 2004, in Greenbelt, MD, Leon Chen was sentenced to 15 months in prison followed by three years of supervised release and a fine of $2,000 for tax evasion. His wife, Ka Lai Man was sentenced to 60 days in prison and four months home detention followed by three years supervised release and a $2,000 fine for receipt and possession of stolen property. Chen also agreed to pay restitution to the IRS in the amount of $335,982.91. Chen stated on his 1997 tax return that his taxable income was $61,845 and the amount due was $11,955, whereas Chen knew he had substantial additional taxable income which he did not report. Chen understated his income between 1994 and 1997 for a tax loss of $335,982.91. Also, in September 2003, his wife admitted that she was in possession of computers and related equipment, valued at $23,377, were then sold to other Computech customers and the sales proceeds were deposited into bank accounts controlled by the Chens.

Ponzi Scheme Lands Three in Prison

On May 26, 2004, in Richmond, VA, Lamont C. Knight, Thomas W. Hoffler, and Richard A. Hertz, Sr. were sentenced to 11, 9, and 8 years respectively after being convicted on February 18, 2004 for multiple

Ponzi scheme, perpetrated by the defendants in churches in Virginia, North Carolina, Missouri, Illinois, New Jersey, Texas, and Georgia. The defendants promoted an investment program which guaranteed a high rate of return of between 3-5% per month. Investors were defrauded of $5.1 million dollars and a restitution order has been issued.

Defendant to Serve 17 Years in Prison for Smuggling Freon and Evading Taxes Defendant Concealed Profits in Offshore Bank Accounts

On May 21, 2004, in Ft. Lauderdale, FL, Marc M. Harris was sentenced to 204 months in prison, followed by 3 years supervised release, and a $20,324,560 fine. Harris was also ordered to pay restitution to the Internal Revenue Service in the amount of $6,588,949.50. Harris was convicted of conspiring to defraud the Internal Revenue Service, conspiracy to commit money laundering and evading excise taxes. Evidence introduced at trial established that Harris conspired with Aurelio Vigna, Joseph Vigna and others to evade federal excise taxes on the sale of Freon to customers in South Florida. They failed to report and remit those taxes to the Internal Revenue Service and filed phony paperwork to conceal domestic sales of illegally imported Freon. To hide the sales proceeds, Harris also created and used domestic and foreign shell corporations and related bank accounts. He laundered more than $8 million in proceeds generated from the Freon smuggling scheme for Aurelio and Joseph Vigna by use of a series of wire transfers through Panamanian corporations and bank accounts. As a result of the scheme, between January 1993 and June 1994, Harris evaded approximately $6.2 million in excise taxes and also helped his co-conspirators allegedly evade additional individual and corporate income taxes on the profits.

Accountant Sentenced for Filing False Tax Returns

On May 20, 2004, in San Francisco, CA, Randolph George was sentenced to 15 months in federal prison, a fine of $20,000, restitution of $70,000, as well as a one year period of supervised release. George, a former senior accountant at a large CPA firm, was charged with filing false tax returns for 1991 and 1992, and failure to file a tax return for 1993. After deliberating one day, the jury found the defendant guilty of all charges. In the early 1990s, George was hired to serve as a receiver for radio stations that were experiencing financial difficulties. As a receiver, George managed all aspects of the radio stations including exercising control over the business bank accounts and accounting records. Evidence showed that Mr. George was paid receiver fees during 1991 and 1992 in the amounts of $90,001.42 and $125,432.66, respectively, which he did not report on his tax returns for those years. During 1993, in addition to serving as a receiver for radio stations, George also managed a Walnut Creek paging company known as Tempo Personal Communication. Evidence showed that George was paid receiver fees totaling $154,595 in 1993; management fees with respect to Tempo Communications in the amount of $62,955; and other income in the amount of $25,000. Notwithstanding the receipt of $242,550 in business income for 1993, George never filed an income tax return for that year. The conviction is the result of a referral by the IRS Examination Division for further investigation to the IRS Criminal Investigation Division. George's fraud was uncovered when a revenue agent found copies of income tax returns different from those filed with the IRS that had been submitted by George to financial institutions in conjunction with loan applications.

Man Sentenced for Role in Employment Agency Fraud Scheme

On May 17, 2004, Worcester, MA, Tan Ngo was sentenced to two years and one month in prison, followed by three years of supervised release, for his role in a temporary employment agency mail fraud and money laundering scheme. Ngo was also ordered to pay restitution in the amount of $38,265 to the two insurance companies that were defrauded in the scheme and imposed a forfeiture money judgment in the amount of $767,870. Ngo pleaded guilty to thirteen charges including mail fraud, mail fraud conspiracy, money laundering conspiracy, filing false tax return, and aiding in the filing of a false return. Ngo admitted he and his co-conspirators opened two bank accounts in the names of Tri-Mark Temps Service and Tri-Mark Temporary Service, into which they deposited a total of $767,870 in client company checks, constituting proceeds of the fraud, during the years 1996 and 1997. Ngo and his co-conspirators used some of that money to pay Tri-Mark's temporary workers in cash, without withholding or deducting for such things as federal and state income taxes, unemployment taxes, and Social Security. In under-reporting his own 1996 income, and that he had aided and abetted the filing of a false 1996 federal income tax return for the individual whom Ngo and a co-conspirator had put forward as the straw owner of Tri-Mark.

San Diego Man Pleads Guilty in Investment Fraud Case

On May 13, 2004, in San Diego, Paul Scheibe pled guilty to conspiracy to defraud the United States in connection with his role in an investment fraud scheme. Scheibe conspired with others and raised over $2.5 million through the sale of unregistered securities related to the development of new technologies. Scheibe failed to tell investors that he was permanently barred from selling unregistered securities by the SEC. Scheibe falsely informed investors they would receive 10 times their principal shortly after they made their investment. In actuality, the investors did not receive any funds. The money raised by Scheibe and paid to himself and other conspirators resulted in a $325,000 tax loss to the government. Six other defendants in this investigation have been indicted and are awaiting trial.

Business Owner Sentenced for Tax Evasion

On May 7, 2004, in Wilmington, DE, Donald L. Donovan was sentenced to 36 months in prison, followed by three years supervised release and ordered to pay a fine of $7,500, the cost of prosecution, and all taxes, interest, and penalties to the IRS. Donovan was convicted in January 2004 of four counts of attempted tax evasion and four counts of willful failure to file an income tax return for the calendar years 1996 through 1999. In addition to failing to file tax returns for 1996 through 1999 Donovan took steps to conceal his income from the IRS, including using a personal bank account that listed a fictitious social security number, opening a bank account and post office box under a fictitious name, and providing a customer with a false social security number for use on a Form 1099. In convicting Donavan the jury rejected his defense that the federal income tax laws do not apply to him.

Lea Fastow Sentenced to Prison in Enron Case

On May 6, 2004, in Houston, TX, Lea Fastow was sentenced to 12 months in prison followed by one year of supervised release. Fastow pleaded guilty to filing a false federal income tax return. According to the plea agreement Fastow also agreed to cooperate in the Enron investigation. Fastow also relinquished any claim to almost $30 million in forfeited funds seized by the Enron Task Force in May 2003 for the benefit of victims of fraud at Enron.

Minneapolis Business Owner, 2 Managers Sentenced

On April 29, 2004, in Minneapolis, MN, the owner of two Twin Cities construction service companies, one of his sons, and a project manager were sentenced for tax fraud, and mail fraud. Douglas G. Radtke was sentenced to 36 months in prison and ordered to pay a $20,114 criminal fine after being convicted of one count of conspiracy, seven counts of failure to collect and pay tax, and two counts of mail fraud. Scott Radtke was sentenced to 24 months in prison after being convicted of conspiracy and three counts of mail fraud. Michael T. Donohoe was sentenced to 18 months in prison for conspiracy, filing a false tax return, and three counts of mail fraud. All three were also ordered to jointly pay restitution in the amount of $132,012 to Wilson McShane Corporation and $47,873 to Berkley Risk Administrator's Company.

From December 1995 to at least January 2000, the defendants engaged in a fraudulent payroll, tax and compensation scheme. The defendants arranged for employees to work in exchange for payments in the form of "cash checks" which were not subject to withholding taxes or union negotiated fringe benefits. In an attempt to avoid IRS reporting requirements which are triggered by any cash payment greater that $600, the defendants arranged for payments to employees of up to $599.99 under their Social Security Number, and then required employees to supply names and Social Security Numbers of relatives and friends to serve as nominees for the issuance of additional "cash checks." More than 500 "cash checks" in the sum of approximately $175,000 were issued during the course of the conspiracy. In an attempt to conceal the conspiracy, Galston created, signed and submitted fraudulent IRS Employer's Quarterly Tax Returns and Donohoe filed false U.S. Individual Income Tax Returns.

Man who Failed to Pay Employment Taxes on Over $3.1 Million in Cash Wages Sentenced to Prison

On April 26, 2004, in Los Angeles, CA, Vernon Morris Marshall, who owned and operated a drywall business called Vern Marshall Drywall, Inc., was sentenced to 27 months in prison and ordered to pay $471,690 in restitution on conspiracy and tax fraud charges. Marshall admitted that he and Faith Virginia Krug, his bookkeeper/office manger paid cash wages to employees to avoid paying approximately $470,000 in employment taxes to the IRS. Marshall also admitted that he and his bookkeeper used financial structuring to avoid detection of the underreported cash wages paid to the employees. Krug pleaded guilty in October to conspiracy and admitted that at the direction of Marshall, she kept two sets of books; one reflected the true income and expenses of the company, and a second set reflecting only the income and expenses that were reported to the IRS. Krug was sentenced to home detention for her role in the scheme.

Two Men Sentenced after Pleading Guilty to Employment Tax Fraud

On April 22, 2004, in Newark, NJ, Christopher T. Bruton and Leon B. Badick were each sentenced to 20 months in prison, followed by 36 months probation and fined $5,000. The sentence resulted from a November 14, 2004, guilty plea to one count of conspiring to commit tax evasion concerning their operation of Company B's, a bar restaurant formerly located in Ramsey, NJ and Orangeburg, NY. Both Bruton and Badick admitted that between 1993 and 2000, they devised a scheme to underreport approximately $2,792,772 in wages paid to employees in order to evade approximately $477,407 in payroll taxes. In addition, to conceal the employment tax scheme, Bruton and Badick underreported approximately $358,397 in sales taxes collected from restaurant patrons on the behalf of the states of NY and NJ. This scheme resulted in a total tax loss of approximately $835,800.

Byron Wilson, Former Owner of Regal Beagle, Sentenced for Tax Fraud

On April 12, 2004, in Toledo, OH, Byron Wilson was sentenced to fifteen months in prison for filing false federal income tax returns. In September 2002, Katherine Wilson and Byron Wilson were charged in a two-count indictment. The indictment alleged that the Wilson's, who were married at the time and operating a tavern called the Regal Beagle intentionally filed false 1994 and 1995 income tax returns. The Wilson's failed to report approximately $376,378 of primarily cash receipts skimmed from their operation of the Regal Beagle. Byron Wilson was ordered to cooperate with agents of the IRS to pay his outstanding tax liabilities, estimated at approximately $200,000 for several years. He must make substantial payments toward his tax liabilities as an express condition of his supervised release. Katherine Wilson was sentenced in December 2003 to six month's home confinement. According to her plea agreement Katherine Wilson must pay her outstanding tax liabilities for the years 1992 through 1995 and must make substantial payments toward her tax liabilities as an express condition of her probation.

Owner and Manager of Sacramento – Area Auto Dealership and Auto Repair Shops Sentenced to Jail for Tax Fraud

On April 2, 2004, in Sacramento, CA, George Saites and Euthimios Saites were sentenced for their roles in a tax evasion scheme. George Saites was sentenced to one year and one day in prison, and ordered to pay a $7,500 fine. Defendant Euthimios Saites was sentenced to 2 months home confinement. George Saites admitted in court that in tax years 1997, 1998, and 2000, he failed to pay income tax to the IRS on significant amounts of income derived from his businesses. George Saites stated he concealed substantial taxable income from the IRS by skimming cash from the businesses and by having others, including Euthimios Sates, keep two sets of invoices, only one of which was reported to the IRS. Euthimios Saites admitted that he willfully filed false U.S. Individual Income Tax Returns, which substantially understated the gross receipts and included false expenses and deductions for the business. The IRS estimated that George and Euthimios Saites collectively owe more than $104,000 in back taxes.

Hawaii Certified Public Accountant and Dentist Sentenced to Prison for Tax Evasion

On March 30, 2004, in Honolulu, HI, Victor H. Zuercher, Jr., a dentist, was sentenced to 21 months in prison followed by three years supervised release. Peter Paul Virdone, a certified public accountant and income tax preparer, was sentenced to six months in prison, followed by two years supervised release and ordered to pay a $12,000 fine. The court determined Zuercher and Virdone had caused tax losses to the United States and the state of Hawaii totaling approximately $312,000. In October 2003, both defendants pled guilty to one count of tax evasion. As outlined in the respective plea agreements and in court, this evasion-of-payment scheme involved the creation of a nominee entity, O.B., Inc., through which Zuercher purchased and operated a dental practice. Zuercher's sister, a chiropractor, and his teenage son were listed as the sole shareholder and president, respectively. Zuercher admitted he hid income owed to the IRS, falsely attributed $136,000 as salary paid to his teenage son, and caused the filing of false and fraudulent statements with an IRS collection officer, in order to prevent the garnishment of income earned by his dental practice. Virdone admitted to knowingly aiding the effort to conceal Zuercher's income and assets from the IRS and the state of Hawaii by serving as an officer of the nominee corporation, preparing false corporate and individual income tax returns, and falsifying corporate books and records in order to frustrate the efforts of the IRS to collect taxes owed for the calendar years 1985, 1986, 1990, and 1993 through 1997.

Man Sentenced to Prison for Falsely Reporting Government Officials to IRS

On March 16, 2004, in Madison, WI, Larry Dean Kallembach was sentenced to two years in prison and a $5000 fine for filing false forms with the Internal Revenue Service (IRS) in an effort to retaliate against local government officials. Evidence at trial established that in late 1997 Kallembach received a number of citations for building code violations for property he owned. After appearing in court on these citations, Kallembach was held in contempt and sentenced to 30 days in jail. Kallembach subsequently filed a number of lawsuits against the public officials involved in those incidents, and one of those lawsuits resulted in a judgment against Mr. Kallembach in excess of $5,000. In 1999, Kallembach refused to pay property taxes related to a number of properties he owned. In January 2000, Kallembach attempted to use the IRS as a tool of harassment and retaliation against the public officials involved in his citations and the contempt, those involved in defending various lawsuits, and finally public officials who mailed out the property tax bills in 1999, by filing false forms with the IRS indicating that these public officials had been involved in suspicious large cash transactions.

Former Gillette Executive Sentenced to 37 Months in Prison for Taking Kickbacks from Gillette Vendors

On March 16, 2004, in Boston, MA, Gino Deluca, the former Director of the Permanent Merchandising Systems Department at Gillette was sentenced today in federal court to 37 months in prison, followed by two years supervised release following his guilty plea to eleven counts of mail fraud and wire fraud, along with two counts of subscribing to false tax returns. Deluca was also ordered to pay $724,829 in restitution to Gillette. From 1996 to August of 2002, Deluca was responsible for the promotion and display of Gillette grooming products, such as razors, Duracell batteries and Braun/oral care products, within various retail establishments. Between 1998 and 2002, Deluca received close to $600,000 in kickbacks from vendors to whom Deluca steered lucrative Gillette business. Two tax charges to which Deluca pleaded guilty stated that he failed to report over $325,000 in illicit income that he received in 1999 and 2001.

Hotel Executive Sentenced for Participation in Multimillion Dollar Federal Tax Evasion Scheme

On March 12, 2004, in New York, NY, Brett G. Tollman was sentenced to 33 months in prison, ordered to pay $3.5 million in restitution to the IRS and fined $50,000. Tollman plead guilty to two tax fraud conspiracy charges in September 2003. Tollman served as an executive at Tollman-Hundley, which owned and managed various Days Inn Hotels. From 1993 to 1999 Tollman received more than $2.7 million in compensation through a secret Channel Islands bank account, which amounts he knowingly failed to report to the IRS. According to Tollman's plea agreement the unreported income from the

Channel Islands scheme resulted in a tax loss to the United States of more than $3,150,000. Tollman further admitted that he conspired with employees of the Tollman-Hundley companies to pay those employees various forms of compensation that was not reported to the IRS by the Tollman-Hundley companies or by the employees. The unreported compensation to Tollman-Hundley employees involved the payment of almost $900,000 and a tax loss to the US of over $350,000, bringing the total tax loss to $3,500,000.

Northampton Investment Advisor Sentenced for Defrauding Clients of Over $1.2 Million

On February 25, 2004, in Springfield, MA, Robert C. Sears was sentenced to three years and one month in prison, to be followed by three years supervised release and was ordered to pay $267,471 in restitution. Sears plead guilty to wire fraud and willful failure to file tax returns. Sears, an unregistered investment advisor, misappropriated funds from several client's brokerage accounts. Sears accomplished his misappropriation by forging clients' signatures on Letters of Authorization directing Charles Schwab Co. to transfer clients funds to his own corporation and forging client signatures on margin agreements to obtain unauthorized margin loans. Sears received substantial income from investments and self-employment during the tax years 1998 and 1999 but never filed income tax returns for those years. Sears failed to file an income tax return for the 2000 year as well.

Victor Nance Sentenced in Ponzi Scheme

On February 20, 2004, in Jackson, MS, Victor G. Nance was sentenced to 10 years in prison, fined $10,000, and ordered to pay over $9.1 million in restitution for his part in a large scale Ponzi scheme. Nance pled guilty to depositing $519,015 into AmSouth Bank, knowing that the funds were derived from mail fraud or wire fraud. He also pled guilty, along with co-defendant Hamric, to the forfeiture count designed to recover the $10.2 million that investors lost in the fraud scheme engineered by Hamric and Nance. Nance had been a financial advisor for years and convinced many of his clients that they should invest in a "Promissory Note" with Louis Hamric which would pay them between 18% and 30% per year. Nance convinced over 40 clients to invest over $10 million in this scheme. In return Hamric paid Nance approximately $4.8 million in commissions for his services. Although the victims were told that they were investing in a money trading program, no such programs exist and the interest they received was, in fact, a repayment from their own funds.

Ocean City Hotel Owner Sentenced for Tax Evasion

On February 19, 2004, in Baltimore, MD, Adel Iskander, a.k.a. Ed Iskander was sentenced to 41 months in prison followed by three years supervised release and ordered to pay a fine of $800,000. Iskander was convicted in August 2003 of three counts of tax evasion and one count of structuring a financial transaction to avoid a federal currency transaction reporting requirement. According to trial evidence, Iskander reported no taxable income and paid no federal income tax during the years 1994, 1995, and 1996, although the two hotels he owned and operated were profitable and Iskander was earning a substantial taxable income from their operations. Iskander, an accountant by training, engaged in a complicated tax evasion scheme which involved diverting hundreds of thousands of dollars from the hotels into personal investment accounts held in the name of his wife. Iskander created a phony shareholder loan account to make it appear that the corporations that owned the hotels owed him money and then took false "bad debt" deductions on his tax returns to offset the income earned from his and his wife's personal investment accounts.

Northern California Man Sentenced in Securities Fraud Case

On February 17, 2004, in San Francisco, CA, Sherman S. Smith was sentenced to 37 months imprisonment and ordered to pay approximately $4.7 million in restitution to those he defrauded. In his plea agreement, Smith admitted that he defrauded a Florida woman by causing her to give him money for investments in stock and securities he promised to make that he said would earn 12 percent interest. Smith later sent false account statements and stock certificates to his victim to make it appear that he had invested her money in a church consulting business he controlled by the name of Donne Corporation.

Convicted Con-Man gets 14 Years for $73 Million Fraud

On February 13, 2004, in Newark, NJ, Thomas Giacomaro was sentenced to 14 years in prison and ordered to pay $69.29 million in restitution. Giacomaro pleaded guilty last June to a three-count, 28-page Information charging him with conspiracy to commit mail fraud, mail fraud and conspiracy to defraud the United States.

Giacomaro admitted that during the period of the fraud, he raised the more than $73 million stolen from investors by convincing them that their investments were to be used for mergers and acquisitions of companies in the garbage, heating oil and transportation businesses. Giacomaro admitted that he used millions of dollars of the fraudulently obtained funds to finance a lavish lifestyle for himself.

Former Hotel Developer Sentenced

On February 2, 2004, in Nashville, TN, Charles V. Covington, former owner and president of OCVOC Investment Holdings, Inc., was sentenced to 30 months in prison followed by 3 years of supervised release. Covington was also ordered to pay restitution to Investment Holdings, Inc., in the amount of $600,000 and to pay IRS back taxes in the amount of $140,278 as a condition of his supervised release. Covington pled guilty on September 5, 2003, to failing to file a federal income tax return for the year 1997 and to mail fraud. Covington was indicted on July 10, 2002, and charged with committing mail fraud, money laundering and failing to file his 1997 U.S. Individual income tax return while receiving in excess of $366,000 in gross income. Covington, while attempting to develop a downtown hotel in Nashville, Tennessee, used that speculative venture to defraud persons who believed that they were investing their funds in the hotel project. Covington used these funds for his personal living expenses, including but not limited to, a down payment on a luxury residence, expensive furnishings for the residence, private jet service for his family, catered birthday dinners for his wife, expensive jewelry and tuition at a private school for his step-daughter.

Burlington Woman Sentenced after Pleading Guilty to Fraud Charges

On January 28, 2004, in Burlington, VT, Susan B. Emilo was sentenced to 33 months in prison, to be followed by three years of supervised release and ordered to pay nearly $1 million in restitution after pleading guilty to mail fraud and filing a false tax return. According to court records between 1993 and 2002 Emilo worked as a bookkeeper for Lincoln Applied Geology, Inc., during that period of time Emilio embezzled over $736,000. The tax charge was based on her failure to declare the revenue from embezzlement as income.

Corporate Officers Sentenced in Connection with Scheme to Defraud Investors

On January 28, 2004, in Savannah, GA, Randall Coyle, Ronald Coyle and Avery Curtis Griffin, Jr., were sentenced after having entered earlier guilty pleas related to their solicitations of over $10 million from investors. The defendants offered promissory notes to investors and promised investors that they would receive from 15 – 100% return on investments over short periods of time when, in fact, none of their businesses were profitable and they used the funds to make payments back to investors and for their own personal use and enjoyment. Randall Coyle, President, CEO and majority shareholder was sentenced to 168 months in prison, 3 years of supervised release and ordered to pay restitution of $6,187,000. Ronald Coyle, the brother of Randall Coyle, was sentenced to 60 months in prison, 3 years of supervised release and ordered to pay restitution of $6,187,000 following his plea to money laundering and fraud charges. Avery Curtis Griffin, a recruiter for the Coyle organization, was also sentenced to 60 months in prison, 3 years of supervised release and ordered to pay restitution of $6,187,000 following his guilty plea to mail fraud. Sonja Coyle, the wife of Randall Coyle, was previously sentenced to 36 months probation and ordered to pay $6,187,000 in restitution following her guilty plea to Title 26 charges and her cooperation with the government

Former CEO and President of Link Express Delivery Solutions Sentenced to Twenty Years' Imprisonment

On January 22, 2004, in West Palm Beach, FL, Paul Johnson was sentenced to 20 years' in prison and three years' supervised release for his conviction on twenty-eight counts of conspiracy to commit securities fraud, securities fraud, perjury, money laundering, and conspiracy to commit money laundering. Johnson is the former CEO and president of Link Express Delivery Solutions (LEDS), Link Worldwide Solutions, and Pony Express Logistics. According to the indictment, in several private placement securities offerings, LEDS sold approximately $15.5 million of LEDS -owned LEDS securities and approximately $3.4 million of Johnson-owned LEDS securities, for a total of approximately $18.9 million. The Indictment alleged that Johnson raised monies for the growth and administration of a package delivery business. These monies were obtained under false pretenses, as he made material mis-representations as well as omissions to investors. A significant portion of the investors' monies was used it for his personal use, and for his friends and family.

Three Restaurant Owners Sentenced in Tax Evasion Case

On January 22, 2004, in Miami, FL, Julio Somoza, Carlos Somoza, and Juan Wong, three of the four owners of the Los Ranchos restaurants, were sentenced in connection with a tax evasion scheme. Julio Somoza was sentenced to 15 months' in prison followed by 4 years of supervised release and a $10,000 fine. Carlos Somoza was sentenced to 17 months' in prison followed by 4 years of supervised release and a $40,000 fine. Lastly, Juan Wong was sentenced to one year of home confinement followed by 5 years' supervised release and a $100,000 fine. According to court documents, between 1997 and 2000, the defendants skimmed cash from the daily cash receipts of the Los Ranchos restaurants. The cash skim was accomplished by separating a portion of the restaurants' cash receipts from other daily business records, including credit card and petty cash receipts. A part of the skimmed receipts was then distributed to each of the defendants. Documents were created in order for each defendant to be able to verify that he was receiving his portion of the skim. Court documents state that Carlos Somoza defrauded the United States and the IRS of approximately $411,000 in unpaid personal income tax. Julio Somoza and Juan Wong each defrauded the government out of approximately $277,000 in unpaid personal income tax.

Colorado Man Sentenced for Defrauding Vail Resident

On January 16, 2004, in Denver, CO, Jack J. Curtin-Hill was sentenced to 41 months in prison after pleading guilty in October 2003 to bank fraud and making false statements in an IRS tax return. From August 1995 through September 1998 Curtin-Hill executed a scheme to obtain assets, securities, and other property under the custody and control of First Bank of Vail belonging to Ms. Hill by means of material false and fraudulent representations. Approximately $919,420 of more than $1 million in stock sale proceeds was diverted to other accounts under Curtin-Hills control, and used for his personal benefit. Curtin-Hill failed to pay any federal income tax on the amount taken. According to the plea agreement, on April 15, 1998 Curtin-Hill filed a federal income tax return which failed to report an extra $402,885 of total tax.

Medford Man Sentenced for Conspiracy and Tax Fraud

On January 8, 2004, in Boston, MA, Roland Joy was sentenced to 4 months' imprisonment, to be followed by 2 years of supervised release, the first 4 months of which are to be served in home detention for conspiracy to defraud the Internal Revenue Service and of filing a false personal tax return. Joy was also ordered to pay restitution to the Massachusetts Division of Employment and Training for illegal unemployment benefits. Evidence presented during the six-day trial proved that from 1993 through 1995, Stoneham Towing, Inc., paid cash wages "under the table" to Joy and other employees, thereby avoiding a significant amount of corporate payroll tax as well as employees' personal income taxes. The evidence also proved that Joy and others, including the company's principals, conspired to obstruct an IRS audit and to file false tax returns. Joy filed false returns for the years 1993, 1994, and 1995 that failed to report the wages received in cash.

Woman Pleads Guilty to Tax Charge

On January 7, 2004, Anita M. Gant, of Memphis, TN, pleaded guilty to one count of income tax evasion. Gant, along with her husband, Ricardo A. Gant, and Keith N. Smith, were charged in October 2003 with operating a nationwide scheme that defrauded private investors and churches of approximately $3.5 million. The indictment states that the Gants operated a scheme from 1997 through 2001 from their business, Capital Plus Worldwide Financial Services, Inc. The indictment also alleged that Ricardo Gant solicited individuals and churches to invest in “Joint Venture Partnerships” that guaranteed the safety and security of the investment, and promised gains of 60% to 200% annually. During her plea agreement, Anita Gant admitted to failing to report in excess of $500,000 in income on her 1998 federal income tax return.

Financial Planning Service Owner Sentenced to Six Years for Tax Charges

On December 17, 2003, Mark W. May, in Dayton, Ohio, founder, president and owner of Maranatha Financial Group, Inc., a defunct fee-only financial planning service was sentenced to six years in prison and order to pay $728,090 in restitution to the IRS. May was convicted on September 26, 2003 of six counts of tax evasion and failure to remit payroll taxes to the IRS. Any involvement with the financial service industry will be considered a violation of his three years of supervised release which must follow his prison sentence.

Bogus Sight Drafts Lands 33-Month Term

In St. Paul, Minnesota on December 16, 2003, Roger Leigh Oehler was sentenced to 33 months in prison after being convicted by a jury in July 2002 on 30 counts of passing fictitious obligations and give counts of submitting false statements to the IRS. From February 1999 to July 2000, Oehler used fraudulent “sight drafts” in an effort to pay debts, obtain money or obtain tax refunds. Oehler wrote nine bogus sight drafts for payment of child support to state agencies and the social services department for his child support obligations. He also wrote fake sight drafts to pay his tax obligations and defraud credit card companies of over $200,000. Oehler was also convicted of filing false 8300 forms with the IRS.

Defendants Sentenced in Mortgage Fraud Scheme

On December 2, 2003, in Statesville, N.C., James Edward McLean, president of First Beneficial Mortgage Corporation (FBMC), was sentenced to 21 years in prison and ordered to pay in excess of $23 million to over 200 hundred victims of FBMC’s fraud. McLean, his wife, Marcy McLean and other defendants were convicted in connection with a mortgage fraud scheme involving conspiracy, wire fraud, making false statements and entries, and money laundering. As a result of the fraud, the defendants obtained more than $30 million during the course of the scheme.
Other co-defendants sentenced include:

- Marcy McLean was sentenced on November 24, 2003 to 126 months in prison and ordered to pay $23 million in restitution.

- Paul Zimmerman and his wife, Debbie Zimmerman were each sentenced to 11 years each in prison and were also ordered to pay over $23 million in restitution. Zimmerman and his wife were convicted of one count of conspiracy to defraud the United States and three counts of passing counterfeit mortgages to the government.

- Richiedean Gess, an FHA approved underwriter, sentenced on October 16, 2003 to 36 months in prison, followed by three years supervised release and ordered to pay $23 million in restitution. Gess pleaded guilty to conspiring with the McLeans and other s to commit fraud.

- Willie and Alice Green, both were sentenced October 16, 2003 to 18 months in prison and ordered to pay $10 million in restitution. Both pleaded guilty to passing counterfeit mortgages to the government.

Andres Reyes Sentenced on Bank Fraud and Tax Evasion Charges in U.S. District Court

On December 1, 2003, in Charlotte, N.C., Andres Reyes was sentenced to 57 months in prison, followed by five years supervised release and ordered to pay restitution in the amount of $3.6 million after pleading guilty to charges of bank fraud, tax evasion and conspiracy. Reyes provided accounting services for a Charlotte construction company and its owner from 1998 through 2000. Utilizing his authority to write checks on the accounts of both the construction company and its owners, Reyes diverted in excess of $3.6 million if his clients' funds to bank accounts under his control.

Office Worker Sentenced in Embezzlement

On November 20, 2003, in Birmingham, AL, Kathy Burttram was sentenced to 21 months in prison, followed by three years of supervised release after being convicted on mail fraud and tax fraud charges. Burttram was an office manager at H.L. Coshatt Company in Birmingham, beginning in about 1993, she fraudulently wrote checks off the Coshatt bank accounts to pay her personal expenses. In 1999, she wrote checks totaling $160,024 which she knowingly failed to include on her 1999 income tax return. In all, she fraudulently took and mailed checks totaling about $412,000.

Mark Breese Sentenced to Federal Prison for Failing to Report Money Embezzled from the Colorado Daily Newspaper

On November 17, 2003, in Denver, CO, Mark Allen Breese was sentenced to 21 months is prison for making false statements in a tax return. Breese fraudulently obtained approximately $250,000 from the Colorado Daily Newspaper while he was the Finance Director and then failed to report that money as income on his tax return. Breese withdrew money for his own personal use without the knowledge of any other employees or owners of the paper.

Former State Employee Sentenced to Two Years for Fraudulent Tax Credit Scheme

On November 14, 2003, in Cedar Rapids, IA, David Loney was sentenced to two years in prison, followed by five years of supervised release and ordered to pay restitution in the amount of $99,000. Loney pleaded guilty in April 2003, to aiding and assisting in the filing of a false tax return and making a false statement within the jurisdiction of the U.S. Department of Labor. Loney admitted that while acting as his clients' representative in the Work Opportunity Tax Credit (WOTC) and the Welfare-to-Work (WtW) tax credit certification process he used several different methods of improperly inflating his clients' WOTC and WtW tax credits and, as a result, improperly inflating his fees he collected from his clients.

New York Advertising Executive Sentenced to 70 Months for Antitrust, Fraud, and Tax Charges

On November 13, 2003, in New York, NY, Mitchell E. Mosallem, former executive vice president and director of graphic services at Grey Global Group Inc., was sentenced to 70 months in prison for his role in bid-rigging, filing false tax returns from 1996 through 2000, and tax conspiracy. Mosallem was ordered to pay $247,000 in restitution and serve two years of supervised release. Mosallem was indicted on May 16, 2002, for conspiring to rig bids and allocate contracts for the supply of graphic services purchased by Grey on behalf of one of its clients from late 1994 until 2001, and for conspiring to defraud certain Grey clients in a phony billing scheme from 1991 until July 2000. On September 17, 2002, Mosallem was charged in a superseding indictment that included the two original counts and added three counts of conspiracy in connection with his receipt of kickbacks from vendors to Grey between 1990 and 2001, one count of conspiracy to defraud the IRS, and five counts of signing false tax returns. According to the charges, Mosallem received kickbacks from three suppliers of graphic services to Grey, and failed to account for those kickbacks on his income tax returns. In return for the kickbacks, Mosallem included the corrupt suppliers on Grey's limited list of approved vendors, and ensured that those suppliers received a portion of the total amount of contracts for graphic services awarded by Grey. The government estimated that MOSALLEM failed to report approximately $1.3 million in income during 1996 through 2000.

Former Accounting Manager for City of Grand Prairie Sentenced to Eight Years

On November 12, 2003, in Dallas, TX, Fredrick Charles Miller was sentenced to eight years in prison after pleading guilty to money laundering and tax evasion charges. Miller was also ordered to forfeit $1.15 million and pay $1.45 million in restitution, which includes $300,000 to the IRS for taxes owed. Miller admitted that beginning in 1998 and continuing through 2001, he embezzled approximately $1.15 million and used his position as an officer to facilitate the embezzlement and thefts and devised various schemes to defraud and embezzle the funds. Miller also admitted that he attempted to evade his tax liability for 2000 by submitting to the IRS a false and fraudulent income tax return. Miller stated on the fraudulent tax return the $265,999 was his and his wife's income upon which a tax of $78,808 was owed, when in fact, Millers true income was $915,167 and tax owed was $335,074.

Former Vice-President of National Amusements Sentenced to 33 Months on Fraud and Tax Charges

On November 3, 2003, in Boston, MA, Peter J. Brady, the former Vice President of Construction at National Amusements, was sentenced on charges of mail fraud and filing a false tax return. Brady received 33 months in prison, followed by two years of supervised release and was also ordered to pay National Amusements $800,000 in restitution. The charges against Brady stemmed from the huge financial benefits he received from Old Colony Construction Company, one of National Amusements' general contractors. Brady, as National Amusements' Vice President of Construction, had wide authority to award multi-million dollar contracts for the construction of new theaters and to approve payments under those contracts. During this same time period, Brady received approximately $1.5 million worth of free construction services, gifts and landscaping at his Milton home, and at three other properties owned by him or family members. Brady falsified his tax return by not reporting all the services he was receiving from Old Colony. Brady also pleaded guilty to defrauding National Amusements of his honest services by virtue of the fact that he was receiving huge financial benefits from one of National Amusements' main contractors.

Local Attorney Receives 20-Month Prison Term on tax Evasion Charges

On October 30, 2003, in Washington, D.C., Navron Ponds was sentenced to 20 months in prison, followed by three years of supervised release and ordered to file the appropriate outstanding tax returns and pay restitution for any outstanding amounts. Ponds was convicted in July of tax evasion, failure to pay taxes and failure to file returns and wire fraud. Ponds failed to file timely federal personal income tax returns for calendar years 1988 and 1990 through 1994. Ponds also took numerous steps to evade payment and evade assessment of taxes, including, for example, transferring the title of his cars, selling a rental property and causing his sister to open an annuity account in her name with the proceeds. Ponds used the funds in that annuity account for his personal use and benefit.

Former Law Firm Employee is Sentenced for Wire Fraud and Under-Reporting Income in Connection with $1.6 Million Fraud Scheme

On October 24, 2003, in St. Louis, MO, Kelly Layne Mullins was sentenced to 30 months in prison, without parole. She was also ordered to pay restitution in the amount of $1,648,901. On July 31, 2003, Mullins pled guilty to an information charging one felony count of wire fraud and four felony counts of making false material statements as to her income on federal income tax returns. From May 1996 through June 2002, Mullins was employed by Bryan Cave, LLP. Part of her duties included collections of past due accounts on behalf of Bryan Cave. She was also authorized to contract with outside collection agencies to assist in collection of past due accounts. In April 1996, Mullins created a fictitious company called Consultants of St. Louis (CSL) with a post office box in the name of Consultants of St. Louis/Kelly Mullins in Bridgeton, Missouri. CSL received 20% of the past due funds that they collected. Mullins hired CSL to collect past due accounts without Bryan Cave's knowledge that CSL was her company. This practice violated Byran Cave conflict of interest policies. False and fictitious records were created by Mullins representing CSL collection of money to Bryan Cave on delinquent accounts. Mullins then presented these records to Bryan Cave which then created checks to CSL for their collection of money. During the six-year period of this scheme, Mullins improperly received approximately $1.6 million dollars. Additionally, Mullins admitted with her plea in July that she under-reported her income on her income tax returns filed for 1998 though 2001, in excess of $1,185,000. This caused a tax due of approximately $462,000, which is also due to the US Treasury.

Cedar Falls Man Sentenced to 30 Months for Million Dollar Tax and Embezzlement Scheme

On October 22, 2003, in Cedar Rapids, IA, Rodney V. Foster was sentenced to 30 months in prison, followed by three years of supervised release and ordered to pay $750,000 in restitution after pleading guilty to failure to account for and pay over withholding and FICA taxes, theft and embezzlement from an Employee Benefit Plan. Foster admitted that he deducted and collected federal income taxes and FICA taxes from employee wages in the sum of $1,046,258 and then willfully failed to pay these taxes to the IRS. Foster also admitted to converting $26,776 of the funds collected for his employees' pension benefit plan for his own use.

Tennessee Woman Sentenced in "Miracle Cars" Fraud

On October 22, 2003, in Kansas City, MO, Gwendolyn Baker was sentenced to five years in prison and ordered to pay $12,527,195 in restitution. Miracle Cars was a nationwide conspiracy that defrauded thousands of victims of millions of dollars. The Miracle Car Scheme raised more than $20 million from individuals throughout the United States for the purchase of more than 7,000 automobiles and other motor vehicles.

Corporation President Sentenced

On October 21, 2003, in Columbia, SC, Charles S. Porter, III, was sentenced to three years probation and ordered to pay a $100 assessment fee, $10,000 fine, and $15,240 in restitution. On April 3, 2002, Porter and his corporation, Southern Architectural Woodwork, Inc., pleaded guilty to income tax evasion. During the years 1995-1997, Porter, as the president and sole shareholder of Southern Architectural Woodwork, used various schemes to evade paying employment taxes, primarily social security and Medicaid withholdings on its employees. One scheme reduced employees' salaries and replaced the compensation with "per diem" or "travel advance" payments, so no taxes would be withheld or paid. Another scheme involved disguising salaries as "bonuses" and providing items to employees such as computers and home repairs instead of paying salaries. The total employment tax loss was over $61,000.

Sa'ad El-Amin Sentenced to 37 Months in Prison

On October 17, 2003, in Richmond, VA, Sa'ad El-Amin was sentenced to 37 months in prison for conspiracy to defraud the United States by failing to file income tax returns and evade taxes. El-Amin and Beverly Crawford, his wife, were licensed attorneys and failed to pay the vast majority of the federal taxes assessed against them. As a result of their failure to pay these taxes, the IRS filed assessments and liens against El-Amin and Crawford totaling more than $700,000 for unpaid individual income taxes, corporate income taxes, employment taxes, penalties and interest. El-Amin was held accountable for a tax loss of $710,451.

Prominent Oakland County Dentist gets Prison Sentence for Tax Fraud

On October 14, 2003, in Detroit MI, Dr. Timothy Kosinski was sentenced to 30 months in prison, followed by two years supervised release and a $60,000 fine. Kosinski must also file correct and amended returns for the years 1996 through 1998. Kosinski was convicted by jury on one count of conspiracy to defraud the United States and to structure currency transactions, five counts of filing false personal and corporate tax returns, and one count of structuring currency transactions to evade the $10,000 reporting requirements.

For more summaries, visit www.irs.gov and enter Keyword: Fraud.

Where Do You Report Suspected Tax Fraud Activity?

If you suspect tax fraud or know of an abusive return preparer, you should report this activity to your nearest Internal revenue service office. This information can be communicated by phone or in writing to your local IRS office. You can contact the IRS by phone at 1-800-829-0433.